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SIPDIS

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SUBJECT: GOI CHARTS THE WAY FORWARD AFTER WTO MINISTERIAL

Classified By: Acting EcmIn Kathleen Reddy for reasons 1.4 (b) and (d)

11. (SBU) Summary. Amadeo Teti, Vice Ministry of Trade Director General for Commercial Agreements, views the WTO Hong Kong Ministerial as an overall success and especially as "a win" for Brazil. Teti praised Pascal Lamy's leadership of the WTO, and predicted an agreement on the Doha Development Agenda by end-2006, provided there is progress on non-agricultural market access (NAMA). Teti noted that geographical indicators (GIs) are still a GOI priority, and thought the recent bilateral wine agreement might provide a model for a way forward for Italy and the United States on GIs. End summary.

On Agriculture, "Everyone was Against the EU."

12. (SBU) In a meeting December 27 with Acting EcmIn and Econoff, Teti described the WTO Hong Kong Ministerial as "a win" for Brazil. He characterized Brazil as having seized G-20 and G-90 leadership by securing for them WTO-member commitments to eliminate agricultural export subsidies by 2013 and to cut "significantly" tariffs on agricultural goods. Teti predicted that the Doha Round's outcome will be an agreement on agricultural access along the lines of the G-20 proposal, with tariff reductions between 50 and 55 percent before total elimination in 2013. The G-20 proposal is "OK" for the GOI, but will be problematic for France, which has higher domestic subsidies than Italy.

GOI Still Seeking Progress on GIs.

13. (C) Teti noted the lack of progress on GIs and complained of a "lack of ambition" on the issue. He said the GOI wants to have a WTO mechanism through which Italian producers can protect their geographic indicators in the United States. Teti largely ignored Econoff's argument that such a mechanism is unnecessary because U.S. law adequately protects trademark holders, including the Italian manufacturers of Parma Ham, who successfully protected their trademark in U.S. courts. Teti pointed to the U.S.-EU wine agreement as a possible model for a bilateral agreement through which the USG and EU could eliminate the GI "hurdle to progress" in the WTO negotiations. If a bilateral U.S.-EU agreement is reached on GIs, Teti speculated the GOI could work within the EU to give Trade Minister Mandelson more flexibility in other areas of the trade negotiations.

Work Remains on NAMA and Non-Tariff Barriers.

14. (SBU) Encouraged by the Ministerial's decision to adopt the "Swiss formula," Teti said that a final NAMA agreement is possible by end-2006, provided Member States find "good figures" to insert into the tariff reduction timetable. Teti noted that much work remains on non-tariff barriers, especially in the Chinese, South Korean, Japanese, and Indian markets.

On Services, a Call for U.S.-EU Cooperation.

15. (SBU) Turning to the services negotiations, Teti called for closer cooperation, "but short of joint papers," between the USG and EU to move these negotiations forward. He noted that services make up 70 percent of the Italian economy, and that the economic benefit to Italy of increased access to overseas markets for services would be substantial. He also noted the United States "pulling back" from an ambitious services agenda, possibly to appeal to developing countries, and thought the EU and United States should close the gap in their positions before engaging developing countries.

Lamy Will Keep Negotiations on Schedule.

16. (SBU) On the whole, Teti rated the Hong Kong Ministerial a success, notable for steps forward. He conceded there is much still to be done to conclude the Doha Round by end-2006, but thinks it is possible, if WTO Director General Lamy asserts his leadership. Teti was struck by what Lamy accomplished at Hong Kong, given that he began preparations

for the Ministerial in September. Teti was convinced that had Lamy had more time to prepare, even more progress would have been made.

17. (SBU) Comment. Teti, one of Italy's most senior trade officials, is well-disposed to the United States, and consistently tries to find ways in our conversations to close the gap between the EU and USG positions on the Doha Round. His suggestion for a bilateral U.S.-EU agreement on GIs reflects this positive disposition and a frustration with the status quo on this issue, which he has previously identified as a "deal breaker" for the GOI. End comment.

18. (SBU) Biographical note. Considered one of Italy's most experienced trade negotiators, Teti served at the Italian mission in Geneva prior to becoming Director General for Commercial Agreements. In October 2005, Teti agreed to serve an additional three years in his current position. End biographical note.
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